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OUTLINE

FINDINGS - REGULATIONS

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STATINTL A. Regulation  it defines the projects to be submitted to PRC.

1. Quotation of pertinent paragraph (2).
2. Difficulty in applying (2)(a) in actual practice.
3. Difficulty in interpreting terminology of (2)(b).
4. Research and development projects.
5. Problems result from paragraph (2)  because it cannot be uniformly interpreted.
6. Level of project approval based on dollar-amount of funds involved - This is artificial.

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STATINTL B. Regulation  it defines PRC membership.

1. Ambiguity between roles of DDs individually and full PRC.
2. Quotation of pertinent provisions.
3. Approval authority of DDs.
4. Few references to DDs individually in procedural notices.

C. PRC Procedures

1. Quotations from Procedural Memo No. 2.
2. Procedural Memo No. 2 states what the PRC wishes to appraise but does not clarify how to determine whether a project should be presented to PRC.
3. Quotation of Procedural Memo No. 1.
4. Procedural Memo No. 1 does not resolve basic issue, above.

D. Confidential Funds Regulations

1. Paragraph 1.3 CFR primary CFR reference to prior project approval - Its provisions are ill-defined.
2. OSO interprets 1.3 to be inapplicable to OSO activity. Such a position not formalized in present Regulations.
3. OPC adheres to 1.3.
4. Paragraph 1.6 CFR prescribes authorizations resulting from budget approval.
5. OSO position based on 1.6 CFR.
6. Paragraph 9.1 CFR - authorizes sub-allocation by ADs.
7. Paragraph 9.2 CFR further establishes fiscal policies re: funds allocated by ADs.
8. Paragraph 9.0 CFR contains project definitions - These definitions very broad.

E. OSO and OPC Regulations

1. Regulations of two offices similar, except for level of final approval.

2. OSO Project Processing as defined in OSO Regulations - These emphasize role of AD in final approval.
3. OPC Project Processing as defined in OPC Regulations.

GENERAL FINDINGS - OSO

- A.
  1. Submission of OSO budget estimates.
  2. OSO interprets budget approval to be final DCI and PRG approval of contemplated activity.
  3. ADSO approves implementation of specific projects.
  4. Internal processing of projects and basic plans.
  5. OSO premise for current practices.
  6. OSO appraisal of practices shows belief that current methods are fully adequate.
- B. Conclusions
  1. OSO position based on very broad interpretation of current Agency Regulations.
  2. Present degree of autonomy questionable from Agency policy-appraisal standpoint.

GENERAL FINDINGS - OPC

- A.
  1. Submission and interpretation of budget estimates. OPC does not interpret budget approval as final approval for specific activity.
  2. Internal processing of projects and programs.
  3. OPC appraisal shows belief that more autonomy should be granted OPC activities.
- B. Conclusions
  1. In view of existing Regulations, difficult to operate uniformly.
  2. Regulations should be revised to provide usable criteria for project approval.

FINDINGS - REGULATIONS

A. Regulation ☐ - Projects to PRC

1. Designation of Projects

The basic regulation governing project approval by the PRC is

vity encompassed by it is paragraph 2:

"(2) The Project Review Committee will review all area or activity projects:

- (a) Which involve deviations from and/or additions to detailed budget presentations.
- (b) Which are described in the budget under broad general authorizations without specific supporting project details.
- (c) For research and development projects involving contracts within the United States prior to execution."

2. Application of Section (2)(a)

It is not clear whether all three sections of this paragraph were intended to apply to OPC and OSO. In (2)(a) the assumption must be made that the term "detailed budget presentations" refers to the type of budget presentation normally prepared by the Operations offices otherwise this section would not apply to them, but would apply to offices which submit more-detailed budgets. Assuming that it applies to OPC- and OSO-type budget presentations, section (2)(a) technically requires PRC review only for those projects which deviate from whatever is the presentation outlined in the budget, such as projects involving the use of more funds than were made available for a particular Division's project activity through the area or activity allocation approved in the budget.

3. Application of Section (2)(b)

In (2)(b) the term "broad general authorizations" is not defined, nor is its meaning clearly implied. There is no indication whether the statement of mission described in the budget for an area or an activity should be considered a "broad general authorization" under the intent of this section. Paragraph 1.c.(2) of ☐ was the fore-

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runner of the present statement, and elaborated on the present regulation to this extent:

"1.e.(2) Funds made available by allocation in the budget for specific purposes under broad general authorizations which are not for routine normal operating expenses will not be obligated or expended without prior presentation to the Projects Review Committee of each individual project involving such an expenditure or obligation. (Example: \$200,000 is allocated for communications development or research purposes. A specific project is planned under this authorization, which will require obligation of \$75,000. Prior PRC action is required.)"

STATINTL A.I. The major differences between the present statement and the one found in [ ] is that the present regulation has deleted the modifying phrase "... for specific purposes ..." under broad general authorizations; and, it has deleted the proviso: "... which are not for routine normal operating expenses ..." Both changes are significant.

(a) The difference in wording implies, by its silence on what formerly were exceptions, that the new regulation [ ] intended to be more-inclusive in its coverage.

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(b) Assuming that the current regulation is intended to

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resulting thereunder seems not to be project activity for the operational undertakings contemplated generally under the statement of mission, but rather, activity of a supplementary type.

(c) Another detail subject to interpretation is whether the "specific supporting project details" need be written into the budget itself, or merely be available at the time of budget presentation for examination and appraisal by the PRC and DCI as bases for approval of the budget estimates. If "specific supporting project details" means merely that they be available at the time the budget estimates are presented to the PRC and DCI then it must be assumed that various OPC and OSO projects have had sufficient prior approval of specific supporting project details.

#### 4. Application of (2)(c)

At the present time research and development projects (according to OSO) are handled by Commo. and TSS as service functions for

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"A.(1) The Project Review Committee is established consisting of:

Deputy Director	Chairman
Deputy Director (Plans)	Member
Deputy Director (Intelligence)	Member
Deputy Director (Administration)	Member
Executive Assistant to Director	Recording Secretary
Members of sponsoring official may designate advisors"	

"C. The Committee or any appropriate member may act finally on projects not exceeding \$25,000 and will recommend action to the Director on projects in excess of this amount."

"D. Members may designate immediate Assistants to act for them as committee members when appropriate. In cases where no Deputy Director sits as a committee member, the Committee will not take final action but will submit its recommendations to the appropriate Deputy Director who will be governed by paragraph C., above."

### 3. Approval authority of Deputy Directors

Under the provisions of paragraph C. it is possible for any project requiring PRC approval to be submitted to a Deputy Director for his final action in the name of the PRC. Paragraph D. does not clearly imply how the "appropriate Deputy Director" is determined, nor whether he then should act finally upon the project or present it for joint PRC action.

### 4. Deputy Director references in Procedural Notices

The PRC procedural notices do not clarify this position, referring only to "If PRC action is required, Office head will arrange for preliminary consultation with appropriate Deputy Director." All other references in these notices are to the PRC, as such, and not to Deputy Directors individually.

### C. Project Review Committee Procedures

#### 1. Notice No. 62-51 (PRC Procedural Memorandum No. 2)

Regulation   supplemented by two notices which contain the procedures for submitting projects to the PRC for action. Notice No. 62-51 dated 29 September 1951 is as follows:

"1. The procedural and presentation requirements of reference (b) are intended primarily to assure the PRC of sufficient information to judge the following basic questions:

a. Policy

- (1) Does this project profitably contribute to the accomplishment of a previously approved policy and program objective; or,
- (2) If approval of the project is, in effect, authorization of a new policy and program objective, (a) have others concerned, within or outside CIA, been sufficiently consulted? And (b) is approval now justified as a matter of policy?

b. Support

- (1) Does the project presentation affirmatively show that adequate support plans are tentatively established and ready for execution upon approval of the project? or,
- (2) If the project presentation shows in detail the prospect of support deficiencies which subordinate planning has been unable to provide for, what CIA action, if any, is possible to cover such deficiencies?

"2. To insure as fully as possible that PRC may determine these questions without further DCI level staff analysis and action, the office submitting the project is requested to cover each project submitted with a memorandum brief (maximum 2 pages) setting forth the following:

a. Policy

- (1) A brief statement of the nature and extent of policy and program approval relied upon as authorization for the detailed action proposed in this project.
- (2) Alternatively, in the case in which such prior policy and program approval has not been established, a clear statement of the policy and program objective which will be established by approval of this project and a statement of the coordination which has been obtained concerning such objective.
- (3) In either case, a brief statement showing how this project target and the proposed operational detail will contribute profitably to such general policy and program purpose.

**b. Support**

- (1) A summary statement showing logistic support requirements of men, money, material, and support facilities, as well as operational support facilities and services such as cover, communication, TSS, etc., in quantity and phasing required for this project.
- (2) Affirmation that operational support and facility requirements have been developed, in consultation with the staff and service elements concerned, and are assured in accordance with the operational phasing of the project.
- (3) Affirmation that the logistic support requirements have been planned for, in consultation as necessary with CIA staff and service elements, and are assured in accordance with the operational phasing of the project.
- (4) As an alternative to (2) or (3) preceding, the presentation may state why it has been impossible to plan assured operational support or logistic support, reciting further action required from PRC, and reciting any reasons of unusual urgency which justify PRC action in this respect.

**c. Coordination**

A brief statement as to the coordination which has been accomplished with other offices within the Agency, or with persons or offices outside of the Agency.

- "3. The Recording Secretary of the PRC will return without action all project submissions which do not comply with the requirements of this memorandum."

**2. Bearing of Notice 62-51 on effectiveness of PRC**

Although the paragraphs above clearly state a number of objectives involved in PRC review and ask questions which the PRC desires to answer when a project is submitted, the effect of this notice is negated by the fact that many projects are initiated and implemented without being submitted to the PRC. The problem remains not so much one of the action taken by the PRC when a project is submitted, but one resulting from the fact that many projects which should be submitted to the PRC for the type appraisal suggested above are not submitted because of varying



interpretations and loopholes in existing Agency Regulations and practices. This picture is further confused by lack of uniformity in interpreting whether the Deputy Directors need act as a group or separately in PRC capacity.

### 3. PRC Procedural Notice of 15 May 1951

The following is a notice issued 15 May 1951 setting forth procedures for submission of projects to the PRC:

#### \*I. Initial action by sponsoring Offices

1. Determine whether PRC action is required by Regulation [redacted]
2. In case of doubt, consult the Comptroller.
3. If PRC action is required, Office head will arrange for preliminary consultation with appropriate Deputy Director.

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#### \*II. Preliminary action by Deputy Director

1. Provide preliminary determination of propriety and desirability of proposed project.
2. Inform sponsoring Office head of this determination.

#### \*III. Further action by sponsoring Office

1. Complete initial staff work and documentation to include:
  - a. Project description and purpose.
  - b. Nature (new, augmentation, redirection, etc.)
  - c. Timing for implementation and completion.
  - d. Operational support requirements (O&D, R&D, Commo, Trg.)
  - e. Administrative support requirements (Personnel, Facilities, Equipment and Supplies, Services, etc.)
  - f. Type of funds (vouchered or unvouchered).
  - g. Estimated cost, by fiscal year and phased if appropriate.
  - h. Outside agency support requirements, if any.
  - i. Intra-agency coordination, if necessary.
2. Review and action by Office head.
3. Reference to Project Review Committee.

#### \*IV. Action by Project Review Committee

1. Provision for staff review (to be coordinated by

Executive Assistant to Director) to determine practicability, to include:

- a. Availability of funds.
  - b. I&S advice if appropriate.
  - c. Legal advice if appropriate.
  - d. Congressional implications, if any, and action required.
  - e. Any necessary arrangements for coordination with or support by other agencies.
  - f. Any necessary internal coordination.
  - g. Determination of capability of following support echelons to provide adequate and timely support, and recommendation for additional means if necessary:
    - (1) Each Administrative Office involved.
    - (2) Training.
    - (3) Communications
    - (4) Operational Aids
    - (5) Research and Development.
  - h. Determination of capability of sponsoring Office to carry out the project operationally, and recommendation for additional means if necessary.
2. Committee review and action on project.
  3. Instructions to sponsoring Office to initiate action if project is approved.
  4. Instructions to Comptroller to report quarterly to the Committee, the status and progress of the project.

"V. The Comptroller is charged with reporting to the Project Review Committee any project initiated without prior PRC action when, in his opinion, prior PRC review would be desirable."

#### 4. Effectiveness of Notice of 15 May 1951

This procedure refers to Regulation   a basis for determining the need for submitting a project to the PRC. Because that Regulation is subject to so many interpretations the real problem (i.e., determining whether PRC action is required) is not clarified here. The statement, "In case of doubt, consult the Comptroller," implies the primary issue to be one of finance, which, in reality is not the case. The Comptroller, additionally, is not in an advantageous position to judge the Agency policy-sensitivity of a proposed project. By the same token the statement in V., above, "The Comptroller is charged with reporting to the Project Review Committee any project initiated without

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prior PRC action when, in his opinion, prior PRC review would be desirable," is in large measure made ineffective by the fact that all projects do not go through the Comptroller, thereby are not subject to his appraisal and reporting. As a further item, the Comptroller charged in IV. 4., above, "... to report quarterly to the Committee, the status and progress of the project," is not in a position to carry out the kind of reporting most necessary from the standpoint of the policy-sensitivity of current projects.

D. Confidential Funds Regulations - Project approval and allocation of funds

1. Paragraph 1.3 CFR

The primary CFR reference to prior approval for an area or activity project is paragraph 1.3 CFR, dated 23 March 1951:

"Area or activity projects must be approved by either the Director (or appropriate Deputy Director to the extent of his final authority) prior to the obligation of any funds for their implementation. Such projects not included in the approved annual budget of an office, and expansion of such projects beyond the limitations of their approval and resultant allocation of funds, must be submitted for the action of the Project Review Committee prior to implementation."

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which grants authority to Deputy Directors to act on projects under \$25,000. The wording of this paragraph is such that several interpretations are possible depending upon definition of the terms "project" and "approved."

2. OSO Position on 1.3 CFR

OSO currently holds the position that paragraph 1.3 of the CFR's "has no impact" on its activities, and that OSO is exempt from the requirements of both Regulation [redacted] 1.3 CFR except for the annual submission of its area activity estimates to the PRC. This is based in part on the interpretation that all OSO activity is a single kind of activity, i.e. collection of information, and as such, is in effect one project. This single "project" is approved by the PRC and DCI when the budget estimates are approved. At the time the present paragraph 1.3 CFR was being prepared, members of OSO met informally with the ADMA(s) to determine the revised regulation's applicability to OSO activities. The

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ADDA(s)'s interpretation at that time was that the then current OSO practices were not affected by the revised 1.3 CFR. A memorandum for the record dated 7 August 1951 was prepared by OSO in which the above position was delineated. This was concurred in by the ADDA(s) on 11 August 1951. This memorandum stated in part, "It is obvious that the revision has tightened control over expenditure of CIA funds but since the PRC reviews and approves OSO's over-all budget in one hearing and as one project, it has not been found necessary to change OSO's current practices." This position has never been formalized in Agency regulatory material. If this position appears to have continued validity it should be formalized through revision of present regulations.

### 3. OPC Position on 1.3 CFR

OPC seems currently to be adhering to a strict literal interpretation of 1.3 CFR.

### 4. Paragraph 1.6 CFR

A supplementary paragraph to 1.3 is 1.6 CFR which prescribes authorizations resulting from budget approval:

"Budget estimates for confidential funds for each fiscal year following that for which estimates have previously been submitted to the Budget Bureau and Congress will be submitted to the Project Review Committee by each Assistant Director and Staff Chief concerned on or before 1 June each year .... Approval of estimates by the Director for submission to the Bureau of the Budget will constitute final approval for expenditure of actual appropriations within allocations approved by the Director, except as otherwise provided in official directives (see [redacted] and paragraph 1.3 above.)"

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The statement here, "approval of estimates ... will constitute final approval for expenditures of actual appropriations ..." if taken in its broadest sense might authorize Operating offices to approve specific expenditures for activity carried out as the result of approved budget estimates without obtaining further approval at the PRC or DCI level. Thus, fiscal approval alone is extended to mean approval of the activity itself. The proviso in paragraph 1.6, "will constitute final approval ... except as otherwise provided in official directives," expressly states, however, that other official directives such as Regulation [redacted] and paragraph 1.3 CFR will govern over the provisions of paragraph 1.6. In its narrowest sense, then, paragraph 1.6 simply states that when funds are approved in the budget, those funds may be expended on properly approved activities, without additional PRC or DCI authorization for use of the funds.

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### 5. OSO Relationship with paragraph 1.6 CFR

OSO bases its current position on 1.6 CFR. This is accomplished

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by interpreting that the two exceptions to 1.6, namely 1.3 CFR and Regulation [ ] are inapplicable to OSO activity, therefore 1.6 CFR applies as stated to OSO activity. Its provisions are accepted as authorization for the activation of projects without additional FRC and DCI approval.

#### 6. Paragraph 9.1 CFR

Paragraph 9.1 CFR authorizes the Assistant Directors concerned to allocate the funds made available to their offices:

"Confidential funds for operations are approved for covert projects on the basis of area or activity estimates. The Assistant Directors of Covert Offices are authorized to allocate such funds within their Offices to home office components for the operation of these components and their respective field installations."

The first sentence appears to be an introductory statement of the fact that the funds available for covert projects are there as a result of area or activity estimates and does not appear to be an authorization for the Assistant Directors to give final approval to covert projects. The second sentence authorizes Assistant Directors to apportion the funds made available through their office's basic allocation to their office components and field installations, but is silent on who must approve the specific operations.

#### 7. Paragraph 9.2 CFR

Paragraph 9.2 CFR further establishes policy for the obligation and expenditure of the funds allocated by the Assistant Directors:

"Confidential funds may be obligated and expended, within appropriate allocations approved by the Assistant Directors concerned, for projects and project development on the approval of the approving officer concerned."

There is no reference here to approval of the project or project development itself. This establishes only the fiscal machinery which follows after a project has been approved operationally.

#### 8. 9.0 CFR - Project Definitions

Paragraph 9.0 CFR contains these definitions:

##### "Project"

A project is a covert operation which may involve the use of one or more individuals for specified purposes and which will require a definite commitment of funds, materials, services, or other obligations.

### "Project Development"

Project development is operational activity exploratory or preliminary to activation of a project."

These definitions can be given widely-varying interpretations throughout the Agency, because all covert operations normally use one or more individuals and involve commitments in one form or another, therefore these definitions do not assist in differentiating the degree of specificity encompassed by a project, thereby enabling (for example) OSO to interpret all of its activity in a geographic area to be one project.

### **E. OSO and OPC Regulations**

#### **1. Basic Similarities**

OSO and OPC have each developed regulations designed to supplement Agency regulatory material. In the area of project and program approval the internal processing prescribed by the regulations of the two offices is basically similar. The primary differences in practice occur in the fact that approval of projects within OSO are final while OPC projects are approved within OPC and are then submitted to the PPC or DCI for final approval.

#### **2. OSO Project Processing**

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The statements cited below are taken from OSO Regulation   dated 1 November 1950. These excerpts contain the OSO references which define the methods used by OSO to initiate and implement undertakings, together with references to ADSO approval for such undertakings. OSO Regulation   is entitled "Plan and Project Procedure." The introductory paragraph contains these statements:

".... This procedure is designed to apply to plans and projects of any nature, including those which evolve from liaison with foreign intelligence services. It is intended that this procedure will afford greater flexibility with respect to the headquarters handling of the many types of OSO undertakings and be rigid in only one respect; i.e., coordination by the various staffs from an over-all planning point of view and approval by the ADSO. On the basis of this approval, the staffs and divisions will implement the plan or project."

Basic Plans and Projects are defined by OSO as follows:

#### **"OSO Basic Plan:**

A basic plan is a proposal outlining the purpose, requirements, and method of implementation for an undertaking. It may be used instead of a project to obtain



authorization for a more flexible and more general approach to the achievement of stated objectives than is possible under the requirements for a project. The basic plan may be presented:

- a. Prior to the specific determination of operational methods, support requirements or personnel, but must include a statement of objectives, proposed means of implementation, and an estimate of financial and support requirements.
- b. As a grouping of existing projects directed toward common objectives, in order to facilitate operational and administrative management and control."

**"ADSO Project:**

A project is defined in Confidential Funds Regulations, paragraph 9.0, as any covert operation which may involve the use of one or more individuals for specified purposes and which will require a definite commitment of funds, materials, services, or other obligations. This administrative definition of a project is interpreted to permit the presentation of an undertaking either as a basic plan or a project."

Approval and Implementation of a basic plan or project is provided for as follows:

"A basic plan or project will specify the extent to which a staff or division may go in carrying out an undertaking and will specify the period of authorization .... In order that basic plans or projects may have some flexibility, it is recommended that some leeway be provided in estimating the cost of an undertaking, and in stating its targets, objectives and means of implementation."

"A basic plan or project, approved by the ADSO, may be implemented in detail by the responsible divisions and staffs, without further action by the ADSO, subject to the specific reservations stated in  "Delegation of Authority", dated 23 May 1950."

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"Division Chiefs are authorized to approve operational payments made by Headquarters within the scope of the approved projects ...."

After the basic plan or project is written up it is forwarded to Staff B for examination and preparation of a brief with recommendations:

"....The Basic Plan or Project Outline and brief will then be coordinated with the staffs concerned and forwarded to the ADSO for approval ...."

Upon approval of the plan or project by the ADSO, the sub-allotment of funds submitted with the basic plan or project outline is coordinated with Finance Division.

".... This sub-allotment will represent an estimate of the amount actually required for the stated period and may be less than the amount authorized by the ADSO in the basic plan or project. Additional sub-allotments may be made as required, within the limits of the authorization made by the ADSO ...."

The excerpts cited above show the ADSO as the final approving official for all basic plans, and for all projects not encompassed within a basic plan. They further show that approval of detailed implementation may be at the Division or staff level, within the general authorization provided in a basic plan.

#### Transfer of Projects:

"The request for transfer of basic plans or projects from one division to another will be submitted through STB to the ADSO for approval. The transfer of basic plans or projects from one field station to another within a division, may be done without the approval of the ADSO; however, STB and STA will be notified ...."

#### Amendment of Basic Plans or Projects:

"If an amendment is desired which extends the scope of a plan or project, whereby the intent or purpose is materially changed, or additional authorization for the expenditure of funds is needed, the division will prepare a statement, attaching a new plan or project cover sheet, which will be forwarded to ADSO through STB."

#### Renewal of Basic Plan or Projects:

"Before the period of authorization of a basic plan or project has expired, if renewal is desired, the Division Chief (or Staff Chief if so directed by the ADSO) will submit a memorandum to the ADSO through STB, outlining briefly any changes in the undertaking. It will be accompanied by the Basic Plan or Project Outline and a sub-allotment for the new period of authorization."

#### 3. OPC Project Processing

OPC projects are processed in accordance with the procedures outlined in  dated 18 June 1951. The following sections

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## "8. Project Discontinuance

If a project is to be discontinued before the aims and objectives of the Project Outline as approved have been fulfilled, CPO's authorization is required. In such cases the responsible Staff or Division will prepare and coordinate a memorandum to CPO, setting forth the reasons for discontinuance together with plans for salvaging personnel, supplies, and equipment and all other essential details. When CPO authorizes discontinuance, RD/BF will prepare and distribute OPC Form No. 50-5 to terminate the project allotment. The responsible Case Officer will then collect all of the project records for filing in Registry.

## "9. Project Termination

When projects are terminated because of completion, the responsible Division will notify CPO by memorandum with copies to RD/BF and Finance Division. The memorandum will include an indication of the amount allocated, the amount expended and that unexpended, if any. RD/BF will prepare and distribute OPC Form No. 50-5 to terminate the project allotment and provide a preliminary fiscal audit of project records. The responsible Case Officer will collect all of the project records for filing in Registry."

STAT The following are the first three paragraphs of Attachment B of Regulation [redacted] They contain instructions for contents of project outlines. It is dated 9 February 1951.

### Attachment B

#### Project Outline Format

##### 1. References

Cite those relating to the basic program authorization and to the proposed project, and cite specifically the existing policy under which the project is proposed. Paragraphic references to country and area plans are particularly desired. Attach any cables, dispatches, memoranda, extracts from country and area plans or other documents which are necessary to an understanding of the proposal.

##### 2. Problem or Objective

Indicate the reasons and objectives surrounding the undertaking, including background information where applicable.

### 3. Proposal

Present the solution proposed or the method to be used in achieving the objectives. Facts bearing upon the proposal such as target areas, areas of operation, coordination required, responsibilities for various major phases of the project, estimated duration of project, estimated dates of achievement in chronological order, cooperation required from other agencies, approximate number and type of personnel required, communications facilities to be used and all other pertinent data. It must be explained fully exactly what advantages OPC expects to derive from the proposed project.